



**To:** All Agents  
**Date:** January 26, 2017  
**Re:** Beacon Mutual Dividends

Beacon Mutual's Board of Directors has declared a One Million Dollar (\$1,000,000) dividend payment to policyholders of record as of December 30, 2016.

Dividends will be based on the final audited premium of each policy in good standing after its term expires. Therefore, although some dividends will be mailed commencing in April 2017, it will take a year for all dividends to be paid to all qualified policyholders.

These checks will be mailed directly to our policyholders. We will forward a list of policyholder checks to you where you are the broker of record prior to the checks being mailed, so that you may communicate with your policyholders regarding the dividend.

Here are some frequently asked questions and answers concerning the Beacon dividend. Please feel free to call your underwriter if you need more information or if you have questions related to a specific account.

#### Frequently Asked Questions

**Q. When will checks be mailed out?**

A. Dividend checks will be mailed within 60 days after a policyholder's final audit has been endorsed, either through a waived, phone, mail or physical audit. Our audits allow for a 30-day dispute window after an audit has been endorsed. Therefore, no dividend will be calculated in that window. The dividend will be issued after all amounts due under the policy have been paid to Beacon, including any audit additional premium.

**Q. What policies will receive a dividend?**

A. Policies in force for one annual term as of December 30, 2016 will receive a dividend.

**Q. Is this dividend in addition to the dividend declared by Beacon for all policyholders of record as of December 30, 2015?**

A. Yes. Qualified policyholders of record December 30, 2015 and December 30, 2016 will receive the dividend for both 2015 and 2016.

**Q. Will short-term policies receive a dividend?**

A. No. Dividends will only be issued for policies that are in force for an annual term.

**Q. What premium will the dividend be based on?**

A. Dividends will be based on the final audited premium of each policy after its term expires. Therefore, although some dividends will be mailed commencing in April 2017, it will take a year for all dividends to be paid to all qualified policyholders.

**Q. Will a dividend be paid if a policy premium is written off to bad debt and sent to collections?**

A. No. Dividends will only be paid to accounts in good standing.

*(continued)*

- Q. Will Argonaut premiums be included in the dividend calculation?**  
A. Yes. A dividend will be issued on premiums paid to Beacon for out-of-state policies issued by Argonaut. This dividend will be paid in a separate Beacon check and will be mailed within 60 days after a policyholder's final audit of its Argonaut policy has been endorsed either through a waived, phone, mail or physical audit, subject to all other dividend rules.
- Q. How will this dividend affect shared earnings?**  
A. Dividends are not part of premium; therefore, shared earnings will not be impacted.
- Q. Will the dividend affect the loss ratio?**  
A. Dividends are not part of premium; therefore, loss ratio will not be impacted.
- Q. Will the dividend be a separate check or can it be applied to an outstanding balance or future installments?**  
A. The dividend will be a separate stand-alone check. It cannot be applied to any past or future premiums due.
- Q. How will commission be affected?**  
A. Dividends are not part of premium; therefore, commission will not be impacted.

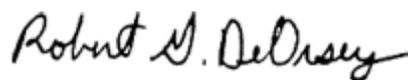
This dividend, along with Beacon's overall reduction in rates of 3.6% on October 1, 2016, collectively, results in \$5.3 million being returned to our state's business community. Beacon is able to provide this dividend as a result of capital gains on investments. 2016 marks the seventh consecutive year Beacon has issued policyholder dividends.

Beacon Mutual will continue to increase efficiencies and reduce operating costs through automation and innovation while our hard working and dedicated employees strive to deliver high-quality customer and claim services. As always, our focus is to reduce workplace injuries through high-quality safety training and education resources and programs; and to treat injured workers with respect and dignity, while getting them back to work as safely and as soon as possible.

Beacon Mutual is fulfilling its mission of being a stabilizing presence and contributor to the fiscal health and proper functioning of Rhode Island's workers' compensation system.

We thank you for your business.

Sincerely,



Vice President  
Underwriting, Loss Prevention & Premium Audit